

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 DODE-00 PA-03 USIA-15

PRS-01 AGR-20 INT-08 SCEM-02 SCI-06 DRC-01 SS-20

NSC-10 STR-08 CEA-02 /193 W
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P 131430Z OCT 73

FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC PRIORITY 1212

UNCLAS SECTION 1 OF 2 LA PAZ 6234

E.O. 11652: N/A

TAGS: EGEN EFIN BL

SUBJ: GOB ANNOUNCES NEW ECONOMIC MEASURES

1. SUMMARY. CABINET APPROVED OCT. 11 MEASURES (A) FIXING INCREASES IN PRICES OF BREAD, NOODLES, FLOUR, COFFEE, COMMON CUTS OF BEEF; (B) INCREASING PUBLIC AND PRIVATE SECTOR WAGES BY FIXED AMOUNT AND PERMITTING ADDITIONAL INDETERMINATE INCREASES IN PRIVATE SECTOR WAGES; (C) REDUCING FLOUR SUBSIDY, (D) TIGHTENING PAYMENT BY STATE AND PRIVATE MINING AND METAL FIRMS OF EXPORT REGALIA, (E) ESTABLISHING GOB CONTROL OVER CERTAIN SOCIAL SERVICE EXPENDITURES BY COMIBOL; (F) GRANTING PARTIAL TAX AMMESTY FOR YEARS UP TO 1972 INCLUSIVE; (G) REQUIRING PRESENTATION TAX CLEARANCE CERTIFICATE IN GREATER NUMBER OF SITUATIONS; (H) REDUCING RANK AND PAY OF CERTAIN OFFICIALS AND (I) REQUIRING THAT ANY OFFICIAL TRAVEL BY PUBLIC SECTOR OFFICIALS BE APPROVED BY SUPREME RESOLUTION. END SUMMARY.

2 PRICE INCREASES WERE FIXED BY MINISTERIAL RESOLUTION 13624-73 AS FOLLOWS: WHEAT FLOUR \$B. 177 PER QUINTAL (UP 38.3 PERCENT OVER AVERAGE NATIONAL PRICE AND 39.9 PERCENT OVER LA PAZ
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PRICE); PAN DE BATALLA (COMMON BREAD) \$B.0.30 (UP 20 PERCENT);

NOODLES \$B.2.30 PER POUND (.UP 21.1 PERCENT; COMMON ROASTED AND GROUND COFFEE \$B13 PER KILO (UP 30 PERCENT) COMMON CUTS OF BEEF \$B.14.50 TO \$B.17.50 PER KILO (UP AN AVERAGE OF ABOUT 27.8 PERCENT). ON BASIS OF QUESTIONS AND ANSWERS DURING PRESS CONFERENCE PRINTED "VERBATIM" BY PRESENCIA IF APPEARS THAT, FOR MOMENT AT LEAST, CONTROLS ON PRICES OF SOME 35 OTHER FOOD ITEMS HAVE BEEN ALLOWED TO LAPSE.

3. BY SUPREME DECREE 11123 WAGE FREEZE IMPOSED BY SUPREME DECREE 10550 OF OCT. 27, 1972 IS LIFTED AS OF OCT. 11. EMPLOYEES OF CENTRAL, DEPARTMENTAL AND MUNICIPAL GOVERNMENTS, UNIVERSITIES AND PUBLIC SECTOR INSTITUTIONS (DOES NOT INCLUDE STATE ENTERPRISES) AND ALL PRIVATE SECTOR EMPLOYEES (EXCEPT THOSE WHO BENEFIT FROM PRIVATE FREEZE ON BASIC FOODS IN COMPANY STORES) ARE GRANTED A WAGE INCREASE OF \$B.120 PER MONTH BEGINNING OCT.1. IN ADDITION, LABOR UNION RECOGNIZED BY LABOR MINISTRY OR WORKERS OF EACH FIRM ARE PERMITTED AS OF OCT. 11 TO NEGOTIATE UNTIL DECEMBER 15, 1973 WITH THEIR EMPLOYERS WAGE CONTRACTS HAVING ONE YEAR MINIMUM DURATION IN EFFORT OBTAIN FURTHER INCREASE OVER \$B.120 PRESCRIBED BY DECREE. DURING PRESS CONFERENCE MINFIN STATED SEVERAL FIRMS HAD ALREADY AGREED TO ABSORB WAGE INCREASES WITHOUT INCREASING PRICES.

4. BY SUPREME DECREE 11116 STATE AND PRIVATE MINING FIRMS ARE REQUIRED TO PAY NATIONAL AND DEPARTMENTAL EXPORT REGALIAS AT TIME OF EXPORT. COMIBOL IS SPECIFICALLY REQUIRED TO PAY 100 PERCENT OF NATIONAL AND DEPARTMENTAL REGALIA AT TIME OF EXPORT. MINFIN WILL ESTABLISH SOCIAL SERVICE EXPENDITURES COMIBOL MAY MAKE IN EXCESS OF ITS LEGAL OBLIGATIONS AND WILL COVER SUCH EXPENDITURES BY CREDIT NOTES UP TO CEILINGS TO BE FIXED BY SPECIAL REGULATION. EMPRESA NACIONAL DE FUNDACIONES (ENAF) WILL TRANSFER TO TREASURY WITHIN 30 DAYS ENTIRE AMOUNT OF REGALIAS ENAF COLLECTS AS TAX RETENTION AGENT. COMIBOL AND ENAF ARE REQUIRED TO CAPITALIZE ALL OF THEIR NET PROFITS. STATE SUBSIDIES TO COMIBOL AND ENAF WILL BE MADE ANNUALLY UP TO AMOUNTS SPECIFIED IN SUPREME DECREES 7849 OF NOV. 1, 1966 AND 9360 OF AUG. 27, 1970.

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5. BY SUPREME DECREE 11120 TAX PAYERS WHO VOLUNTARILY DECLARE PREVIOUSLY UNDECLARED INCOME, SALES, ETC. FOR YEARS UP TO AND INCLUDING 1972 MAY REGULARIZE THEIR STATUS BY PAYING THEIR ENTIRE 1973 TAXES AS REQUIRED BY EXISTING LAW AND BY PAYING THE FOLLOWING TAX RATES IN LIEU OF REGULAR RATES ON PREVIOUSLY UNDECLARED INCOMES SALES ETC.:
3 PERCENT ON SERVICES, SALES AND PROFITS

5PERCENT ON PROFESSIONAL SERVICES
5 PERCENT ON RENTAL INCOME
1 PERCENT ON CERTAIN HOUSING LOANS
50 PERCENT OF REGULAR MOTOR VEHICLE TAX
50 PERCENT OF CAPITAL INCREASE TAX

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TWENTY PERCENT OF THUS REDUCED TAX LIABILITY IS PAYABLE AS
SOON AS TAXPAYER ACCEPTS AMNESTY WITH REMAINDER PAYABLE IN SIX
EQUAL MONTHLY INSTALLMENTS, BEGINNING JAN. 31, 1974.

6. BY SUPREME DECREE 11121 "TAX CLEARANCE CERTIFICATE"(SOLVENCIA
TRIBUTARIA) MUST BE PRESENTED IN GREATER NUMBER OF SITUATIONS.
NOW REQUIRED FOR ANY ADMINISTRATIVE ACTION IN INTERNAL AND
CUSTOMS TAX OFFICES, UPON ASSUMPTION OF PUBLIC OFFICE, TO OBTAIN
RETURN OF SURETY OR
TRUST FUNDS HELD BY CONTROLLER GENERAL, TO ESTABLISH
LEGAL PERSON (CORPORATION, ETC), TO OBTAIN JUDGEMENT ON MINING
ASSETS AND AREAS OF EXPLORATION AND EXPLOITATION AS WELL AS
LAND EXCEEDING "SMALL FARM SIZE,"
FOR ANY PRIVATE ENTITY TO OBTAIN ANY CONTRACT WITH THE STATE, FOR
UNOFFICIAL TRAVEL OUTSIDE BOLIVIA, TO APPLY FOR PRIVATE OR STATE
BANK LOANS, AND TO PARTICIPATE IN PUBLIC INVITATIONS TO BID.
CERTIFICATE NOT TO BE GRANTED TO THOSE WHO OWE TAXES WHETHER

DUE LATENESS, FRAUD, OR ISSUANCE OF TAX OFFICE DEBT NOTES OR WHO HAVE ANY OTHER DEBT TO STATE; NOR TO THOSE WHO OWE FOREIGN EXCHANGE EARNED BY EXPORTING TO CENTRAL BANK.

7. TWO FURTHER MINOR ACTIONS TAKEN WERE TO DIVEST "ADVISORS" IN UNCLASSIFIED

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VARIOUS MINISTRIES OF SUBSECRETARY RANK AND WAGE, REDUCING THEM TO DIRECTOR GENERAL LEVEL AND REQUIRING AUCTION OF THEIR ASSIGNED CARS AND TO PROHIBIT OFFICIAL TRAVEL ABROAD BY ANY PUBLIC SECTOR OFFICIAL (INCLUDING STATE ENTERPRISE) UNLESS APPROVED BY PRESIDENCY THROUGH SUPREME RESOLUTION. PROHIBITION EXTENDS TO TRIPS ABROAD PAID FOR BY SUPPLIERS, PROMOTERS OR OTHERS ENGAGED IN BUSINESS WITH THE STATE. STEDMAN

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